

## CITY ATTORNEY'S IMPARTIAL ANALYSIS OF **MEASURE UU** TO ADOPT A BUSINESS LICENSE TAX ON CANNABIS BUSINESSES

The City of Daly City has placed Measure UU on the ballot to approve an ordinance adopting a business license tax on all cannabis (marijuana) businesses of up to 10% of gross receipts. The tax is a gross receipts tax on cannabis businesses only; it is not a sales tax imposed on individuals purchasing cannabis. All revenues resulting from the adoption of a business license tax on all cannabis businesses would be unrestricted revenues allocated to the City's general fund and thus can be used for any legitimate general governmental purpose. No portion of the revenues generated by this tax would go to the State of California.

Currently, cannabis businesses are not permitted in the City of Daly City. The proposed ordinance adopting a business license tax on all cannabis businesses would not change this. However, cannabis businesses could be allowed to legally operate in the City in the future if the City Council approves changes to the City's Municipal Code, if voters pass an initiative to allow cannabis businesses in the City, or if the state Legislature requires the City to permit cannabis businesses.

If cannabis businesses are permitted in the City in the future, Measure UU allows the City Council to set a maximum tax rate, by resolution, on all cannabis businesses of up to 10% on gross receipts. For example, a cannabis business with gross receipts totaling \$100,000 would pay up to \$10,000 in taxes to the City.

The proposed business license tax would apply to any business activity involving the distribution, delivery, dispensing, exchanging, bartering or sale of either medical or non-medical cannabis or cannabis products, including cultivation, planting, harvesting, transporting, delivering, manufacturing, compounding, converting, processing, preparing, labeling, storing, packaging, testing, dispensing, wholesaling and/or retail sales of cannabis, products containing cannabis, and any ancillary products, whether or not done for profit. The tax would **not** apply to the legal cultivation of cannabis for personal use currently allowed under state law.

Because the use of the tax revenues generated by the tax on cannabis businesses can be used for unrestricted general governmental purposes, it is classified as a "general tax."

A "Yes" vote is a vote in favor of the tax, and thereafter would allow the City Council to establish a tax rate of up to 10% on gross receipts on all cannabis businesses if they are allowed to operate in the City in the future.

A "No" vote is a vote against the tax.

This ordinance will be approved if a majority of those voting on Measure UU vote "Yes".

The above statement is an impartial analysis of Measure UU. If you desire a copy of the ordinance, please call the City Clerk's office at 650-991-2792 and a copy will be mailed at no cost to you.

DATED: August 27, 2018

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City of Daly City